



## COVERSHEET

<b>Minister</b>	Hon Nicola Willis	<b>Portfolio</b>	Commerce and Consumer Affairs
<b>Title of Cabinet paper</b>	Next steps for improving grocery retail competition	<b>Date to be published</b>	15 April 2026

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
July 2025	Next steps on improving grocery retail competition	Office of the Acting Minister of Commerce and Consumer Affairs (Grocery sector)
21 July 2025	Next steps on improving grocery retail competition ECO-25-MIN-0104 Minute	Cabinet Office

### Information redacted

**YES**

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reasons of commercial information, confidential information to government, free and frank opinions and legal professional privilege.

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Office of the Acting Minister for Commerce and Consumer Affairs  
Cabinet Economic Policy Committee

**Next steps for improving retail grocery competition**

**Proposal**

1. This paper sets out my proposed next steps to improve competition in the grocery sector [CAB-25-MIN-0075 refers].

**Relation to Government priorities**

2. This proposal boosts productivity and living standards through improving competition in this key sector. It advances a key action in the Competitive Business Settings pillar of the Government’s Going for Growth agenda.
3. It also relates to the coalition agreement commitment between the New Zealand National Party and New Zealand First relating to exploring options for improving competition in the grocery sector.

**Executive Summary**

4. New Zealand’s grocery sector is dominated by three retailers - Foodstuffs North Island, Foodstuffs South Island and Woolworths.
5. In March I asked for industry feedback about barriers to entry and growth through a request for information (RFI) [CAB-25-MIN-0075 refers]. The RFI received 24 responses.
6. The key takeaways from the RFI are:
  - a. **There are regulatory barriers and market behaviours that are impeding competition.** These cut across different portfolios and not all submitters want the same solutions. It is important to respond to the issues raised as quickly as possible, to recognise the time and effort submitters have taken to engage.
  - b. **Immediate opportunities for increased competition on a significant scale are limited.** Commercial Information [REDACTED]

- c. **Structural change should not be taken off the table.** The RFI highlighted that addressing anti-competitive behaviours and regulatory barriers may not be enough to bring about a significant change in competition.
7. To address the issues raised through the RFI, I propose to progress a comprehensive work-programme with three parallel streams focused on:
- a. **Enforcement:** investigating changes to fair trading and competition legislation to deter anti-competitive behaviour and promote the interests of consumers.
  - b. **Regulatory:** reducing regulatory barriers to make entry and growth of retailers easier and more attractive.
  - c. **Structural:** investigating the costs, benefits and risks of restructuring the incumbent retailers in order to promote competition.
8. I will work with Ministers in relevant portfolio areas to progress this work programme with pace.
9. I have met with some RFI respondents, and officials are continuing to work with them to advance their ideas. Commercial Information [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]
10. My objective is a more competitive grocery market that delivers lower prices and more choice for consumers. I am confident that progressing this work is the best way of meeting this objective.

## Background

*A lack of grocery competition is contributing to higher prices and less value and choice for consumers*

11. New Zealand's grocery sector is continuing to fall short for consumers. The sector is dominated by Foodstuffs North Island, Foodstuffs South Island, and Woolworths, that together make up 82 per cent of the market. This causes:
- a. **higher retail prices than many countries we compare ourselves to**, according to the Commerce Commission's 2024 Annual Grocery Report and a 2024 study by researchers at Edith Cowan University in Australia
  - b. **less innovation than would be expected**, as found in the Commerce Commission's 2022 market study.

12. Poor competition is also harming New Zealand's grocery manufacturers, growers, and food and beverage suppliers, particularly smaller players. The Grocery Commissioner is concerned the dominant market position of the major retailers allows them to force costs and risks on these parties. In turn, this may be leading to less choice and poorer quality goods for consumers. These issues remain despite the previous Government's legislative reforms.
13. The previous Government implemented recommendations made in the Commerce Commission's 2022 competition study. These reforms sought to reduce barriers to entry by opening access to wholesale groceries, banning restrictive land covenants and lease agreements, and establishing a Grocery Commissioner to oversee the industry.

**The RFI has yielded valuable information**

*The RFI received 24 responses*

14. The RFI received 24 responses (summarised in Annex One). These included five prospective new competitors, 11 grocery businesses already operating in New Zealand, Confidential information [redacted], and various advocacy groups and interested parties. A list of respondents to the RFI, issues raised, and work to address them is summarised in **Annex One**.

*Entry of a new major competitor is unlikely within the current market*

15. It is notable that despite attempts by officials to elicit RFI responses from major international retailers such as Aldi and Lidl, these companies opted not to take part.

16. Commercial Information [redacted]  
[redacted]  
[redacted]  
[redacted]

Commercial Information



*There is also some appetite for expansion from existing and new smaller players*

21. Commercial Information Expansion of these businesses would be beneficial although they are unlikely to capture a large market share across all parts of New Zealand.
22. [Commercially sensitive] Some respondents, for example, Commercial Information noted plans to enter the New Zealand market with a new business model. This could benefit consumers in some areas, however, it is not clear whether these respondents could quickly expand to a national scale.
23. Some RFI respondents sought financial support from government to enter and grow in the sector, including loans and grants. I am not proposing to progress these options at this stage.

**I propose a comprehensive work programme to respond to the RFI's issues**

24. Respondents sought government support in a wide range of regulatory and non-regulatory areas. I am realistic that the Government may not be able to address all the issues raised, but I have asked officials to work across agencies to ensure the Government is collectively doing what it can to support current or prospective competitors.
25. Greater competition would bring prices down and provide greater choice for consumers. It would stimulate innovation, resulting in new products and greater efficiencies.
26. To achieve this, I propose to progress three parallel workstreams aimed at investigating and addressing the issues raised through the RFI.

**Workstream 1 – Enforcement**

*There are persistent claims of anti-competitive behaviour*

27. Some RFI respondents noted that the major incumbents use their market power to keep out competitors. I have held conversations with players in the grocery market and regularly heard examples of questionable market behaviour. Many of these examples have been provided in confidence due to fear of retaliation. Anti-competitive behaviour is most likely to affect smaller retailers – rather than large, well resourced, multi-national firms.

*The Commerce Commission has actions underway, but problems persist*

28. The Commerce Commission is currently undertaking an inquiry into the wholesale market, investigating stronger protections for suppliers under the Grocery Supply Code, and a recent investigation into whether Woolworths

and Foodstuffs are attempting to prevent competitors accessing sites through land banking. Further detail is provided in **Annex Two**.

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30. Given the state of competition and the issues raised in the RFI, it is timely to consider whether the Commission has the enforcement powers it needs to address poor market behaviour.

*Proposals progressed as part of the current reviews of the Commerce Act and Commerce Commission will address some of the issues raised*

31. The Minister of Commerce and Consumer Affairs is reviewing the Commerce Act to consider whether changes are required to improve competition across the economy. Cabinet considered the first tranche of proposed changes to the Commerce Act in June [CAB-25-MIN-0213 refers]. These changes include protection of commercially sensitive information, which would directly address concerns raised by grocery market participants and improve the Commission's ability to obtain evidence needed to effectively address anti-competitive behaviour.
32. The Minister of Commerce and Consumer Affairs has also received a report about the governance and effectiveness of the Commerce Commission. Improving this would provide a stronger basis for the Commission to respond to the concerns about anti-competitive conduct raised in the grocery RFI. I understand the Minister will bring that review to Cabinet later in July.

*I have asked officials to investigate how the Grocery Commissioner's enforcement powers could be strengthened*

33. I have asked officials to consider the following matters raised in the RFI:
- a. wholesale supply not effectively promoting competition

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- c. improvements to enforcement tools aimed at major supermarkets and large suppliers, which address attempts to misuse market power to lessen competition.
34. Supermarkets are also falling short in their service to consumers, with many shoppers experiencing misleading pricing and specials. My preliminary view is that the existing enforcement regime in the Fair Trading Act 1986 is not sufficiently incentivising supermarkets to invest in systems to ensure consumers get accurate pricing information.
35. The Minister of Commerce and Consumer Affairs is looking to progress targeted amendments to the Fair Trading Act 1986 that will promote consumer interests, in the grocery sector and more broadly across all sectors. The scope will include changes to the penalties regime to address misleading

pricing practices. I will continue to work with the Minister to progress these changes.

## Workstream 2 – regulatory

### *Easing regulatory barriers to foster market entry and scaling up at pace*

36. The RFI identified a range of regulatory issues. These vary in complexity and how quickly they can be addressed. Some barriers could help lift competition in the short to medium term if they can be resolved.
37. I have asked that my officials work across agencies to investigate each issue raised and provide advice on which ones to pursue further. The more notable issues raised are noted below.

### *Land use, planning and building consents processes are complex and create uncertainty*

38. Many respondents, including **Commer** noted difficulties finding sites in good locations and with associated infrastructure. These difficulties are made worse by restrictive council zoning and the time and cost of applying for resource and building consents. The current processes create uncertainty for investors and are too slow for a rapid expansion of a nationwide competitor.
39. The Government has work underway to address economy-wide issues through resource management and building sector reforms. It has also implemented fast track legislation for projects of national and regional significance.
40. I have asked officials to provide options for addressing the challenges faced by supermarkets, including fast-tracking consents and approvals needed to open new supermarkets. While I am not seeking legislative changes at this stage, I intend to seek these if required.
41. **Free and frank opinions**
42. I will engage with relevant Ministers progress as this work proceeds.

### *Alcohol licensing is restrictive and time consuming*

43. Holding an alcohol off-licence is important for some retailers seeking to compete with Foodstuffs and Woolworths. It allows retailers to offer a full range of products to customers who prefer to do their shopping in one place.
44. Several RFI respondents noted restrictions in local and central government regulation can make it difficult or impossible to gain an off-licence. Many parts of Auckland, for instance, have a freeze on new off-licences. Alcohol legislation also does not allow smaller “convenience” grocery retailers to sell alcohol.

45. The Associate Minister of Justice is currently undertaking work to reform the Sale and Supply of Alcohol Act 2012 to provide regulatory relief to businesses and reduce alcohol related harm. A key objective of this work relates to Government Target Four: (achieving 20,000 fewer victims of violent crime).
46. Reflecting this objective, I am not proposing wholesale changes to the Sale and Supply of Alcohol Act to liberalise alcohol regulation. However, I have asked officials to consider whether any changes are possible to improve grocery competition while not significantly affecting government's objectives to reduce alcohol-related harm.
47. I will work closely with Ministers on this issue.

*Food labelling regulation adds cost to importing food products from some jurisdictions*

48. New Zealand has food labelling regulation, jointly agreed with Australia, that is designed to keep consumers safe from allergens and make informed choices about what they eat. Similar to other countries, these regulations are designed to manage risks unique to our population, so can differ from overseas requirements. RFI respondents indicated that these regulations add cost by requiring retailers to "re-sticker" products imported from overseas.
49. The Minister for Regulation will shortly seek Cabinet approval to commence a regulatory review of product labelling to support the Government's Going for Growth approach. This review will investigate greater international alignment across product labelling and will consider issues raised in the grocery sector.
50. Officials have also heard general concerns about the complexity of biosecurity and food safety regulation and processes. MPI has advised it is available to work with grocery retailers to provide support and guidance through these requirements where required.

### **Workstream 3 – structural options**

*Additional action may be needed to generate material improvements to competition*

51. The New Zealand market has proven difficult to enter and expand within at significant scale. Overseas experience suggests it can take many years for a new entrant to grow to a size that makes a material difference to the competitive landscape. It took 20 years for Lidl to gain 10% market share in Finland. It took Aldi 15 years to gain 10% market share in Australia.
52. Some RFI respondents argued that the only way to truly improve competition in the retail grocery market would be by the Government forcibly breaking up Foodstuffs and/or Woolworths.
53. A fundamental issue is the high market concentration held by Foodstuffs/Woolworths. This issue may not be solved through easing regulatory barriers or placing further additional regulation onto Foodstuffs and Woolworths. These are:

- a. **Woolworths and Foodstuffs have an entrenched market position** with strong brand recognition, efficient networks, the best and most profitable retail sites and close relationships with New Zealand suppliers. This is a huge strategic advantage that a third retailer would struggle to replicate.
- b. **New Zealand's small and spread-out population makes entry challenging.** Distribution costs are high due to the distance between towns and cities.
- c. **Woolworths and Foodstuffs may use their market power to shut down competitors.** Submitters to the RFI and the 2022 market study noted that investors may be nervous to invest in new grocery ventures due to the strategies Foodstuffs/Woolworths could use to block or restrict a new entrant. This could include temporarily pricing below cost then raising prices after competitors exit. This behaviour would most likely affect smaller retailers, rather than large multi-nationals.

*Work should continue on structural options*

- 54. Given the uncertainties noted above, it is prudent to continue investigating options to require Woolworths and/or Foodstuffs to restructure their businesses to increase competition.
- 55. I recognise that any restructuring of supermarkets is a significant intervention with costs and risks that need to be rigorously tested against consumer benefits.

Legal professional privilege



*I am open to potential market-led solutions being put forward by major incumbents*

60. I have been clear in my conversations with Foodstuffs and Woolworths that the Government is serious about improving competition in the sector. I am open to their suggestions about how they can help to achieve this goal and avoid the need for significant government intervention in the sector.

61. Commercial Information [redacted]  
[redacted]  
[redacted]  
[redacted] Free and frank opinions [redacted]  
[redacted]  
[redacted]

**Other issues raised through the RFI**

*Use of WINZ payment cards and government food related assistance*

62. Commercial Information sought support from government to ensure they are considered for use as a supplier for food grants provided by agencies such as Work and Income New Zealand.

63. Officials have advised that there are technical barriers to accommodating this request, and that the costs and complexity of enabling the use of online payment cards outweigh the potential benefits.

**Next steps**

64. I will report to back Cabinet in September with an update and to seek agreement on any legislative changes.

**Cost-of-living Implications**

65. A more competitive grocery sector would reduce the cost of living by supporting consumer access to more reasonably priced groceries. Stats NZ data shows that after housing, food is the second-largest part of household spending.

**Financial Implications**

66. The proposals in this paper do not have financial implications. The costs of progressing this work including the CBA will be meet within baselines.

**Legislative Implications**

67. There are no direct legislative implications from the decisions sought in this paper. I will seek Cabinet approval before committing to any regulatory or legislative change that may be required as result of this work.

## Impact Analysis

### Regulatory Impact Statement

68. The proposals in this paper do not require a Regulatory Impact Statement.

### Climate Implications of Policy Assessment

69. The proposals in this paper do not have climate implications.

### Population Implications

70. There are no population implications arising from this paper.

### Human Rights

71. There are no human rights implications arising from this paper.

### Use of External Resources

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73. This external advice provides an independent check on the analysis undertaken by MBIE officials and draws on specialised commercial knowledge and experience which is not easily found within government.

### Consultation

74. The Treasury, the Ministry for Housing and Urban Development, The Ministry for the Environment, The Ministry of Foreign Affairs and Trade, the Ministry of Regulation, the Ministry of Justice, The Ministry of Social Development and the Ministry for Primary Industries have been consulted. The Department of Prime Minister and Cabinet has been informed.

75. The Ministry for the Environment (MfE) and Ministry of Housing and Urban Development (HUD) support measures to reduce planning barriers in order to improve competition in the grocery sector, and consider this could be facilitated through the current resource management reforms. MfE will focus on options to provide a permissive planning environment to ensure provisions are appropriately enabling of supermarkets.

### Communications

76. I propose to publicly announce next steps following the RFI after this paper has been through Cabinet. I will work with the Prime Minister's Office on communications. I will also note the decisions made by Cabinet in this paper in my discussions with industry and other interested parties.

## Proactive Release

77. I intend to proactively release this Cabinet paper within 30 business days of decisions being confirmed by Cabinet.

## Recommendations

The Acting Minister of Commerce and Consumer Affairs recommends that the Committee:

- 1 **note** that the Request for Information (RFI) process agreed by Cabinet on 14 March 2025 [CAB-25-MIN-0075] has provided information on issues the Government could address to stimulate grocery competition
- 2 **note** that in response to the RFI, I am progressing work across three workstreams:
  - 2.1 Enforcement: investigating changes to fair trading and competition legislation to deter anti-competitive behaviour and promote the interests of consumers.
  - 2.2 Regulatory: reducing regulatory barriers to make entry and growth of retailers easier and more attractive.
  - 2.3 Structural: investigating the costs, benefits and risks of restructuring the incumbent retailers in order to promote competition.
- 3 **agree** that MBIE officials work across agencies on options to reduce time, costs and uncertainties associated with supermarkets meeting regulatory requirements in the areas of land use, planning and building consents processes, and alcohol licensing
- 4 **note** that I am progressing a cost benefit analysis into options for restructuring the sector to improve competition
- 5 **note** that officials will undertake targeted consultation on the work being progressed
- 6 **note** that I intend to report back to Cabinet in September 2025 to:
  - 6.1 seek agreement on any legislative changes needed to ease regulatory barriers
  - 6.2 provide an update of work taken by me, and/or the Minister of Commerce and Consumer Affairs to improve enforcement under competition and fair-trading legislation

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Authorised for lodgement

Hon Nicola Willis


Acting Minister of Commerce and Consumer Affairs

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Commercial Information



Commercial Information



Commercial Information



**Annex Two – summary of previous work to improve competition**

<b>Date</b>	<b>Initiative</b>	<b>Description</b>
June 2022	Commerce (Grocery Sector Covenants) Amendment Act passed.	This Act prohibits restrictive land covenants and lease agreements which retailers were using to block competitors from opening new supermarkets at specific sites.
June 2023	Grocery Industry Competition Act 2023 (the Grocery Act) passed.	Amongst other things, the Act required Foodstuffs North Island, Foodstuffs South Island, and Woolworths to engage in wholesale supply of groceries to competitors and established the new regulatory role of Grocery Commissioner.
July 2023	Consumer Information Standards (Unit Pricing for Grocery Products) Regulations 2023.	Requires grocery retailers to include unit prices on products, aimed at making it easier for consumers to compare prices.
August 2023	Grocery Supply Code regulations.	The Grocery Supply Code puts in place minimum requirements aimed at protecting suppliers from unfair conduct of Foodstuff and Woolworths.
September 2024	Dispute resolution (Wholesale and Supply Code).	The scheme is aimed at resolving issues between suppliers and Foodstuffs/Woolworths under the Grocery Supply Code, and Foodstuffs/Woolworths and their wholesale customers under the new wholesale regime.

**Annex Three – summary of work being undertaken by the Commerce Commission to improve Grocery Competition**

<b>Initiative</b>	<b>Description</b>	<b>Next steps</b>
Improvements to wholesale	The Commission is undertaking an Inquiry into wholesale arrangements. It is concerned about high prices and a lack of range in the Woolworths/Foodstuffs wholesale offerings. The Commission’s draft report has been released which identifies and calls for behaviour change from suppliers and the big supermarkets to enable the wholesale market to develop.	The Commission released a draft report in June. It noted it will look at regulating if industry does not resolve issues within the next 12 months.
A review of the Grocery Supply Code	The Commission is currently reviewing the Grocery Supply Code. Some suppliers are concerned the Code allows Foodstuffs and Woolworths to contract out of key protections. The Commission has powers to amend the Code, if needed.	The Commission released a draft report in early June and is consulting on the improvements suggested under the Supply Code. Proposed actions include tightening the code, prohibiting some practices and issuing further guidance.
Implementing disclosure standards	The Commission is proposing standards which require Foodstuffs and Woolworths to report on complaints they have received from consumers (for example, about incorrect pricing).	The Commission is currently consulting on a complaints disclosure standard and Confidential advice to Government
Land banking	The Commission has done further analysis of is the land held by Woolworths and Foodstuffs. It’s current view is that those companies are not banking land at prime development sites as a way of preventing competition. The large supermarkets have agreed to divest surplus sites.	Analysis of land banking was included in the Commission’s Annual Grocery Report (due for public release in July). The Commission will continue to monitor land held by the large supermarket chains.
Confidential advice to Government		
Annual report	The Grocery Industry Competition Act requires the Commission to report annually on the state of competition in the grocery sector.	The Commission plans to publicly release its 2025 annual grocery report on 22 July 2025.

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